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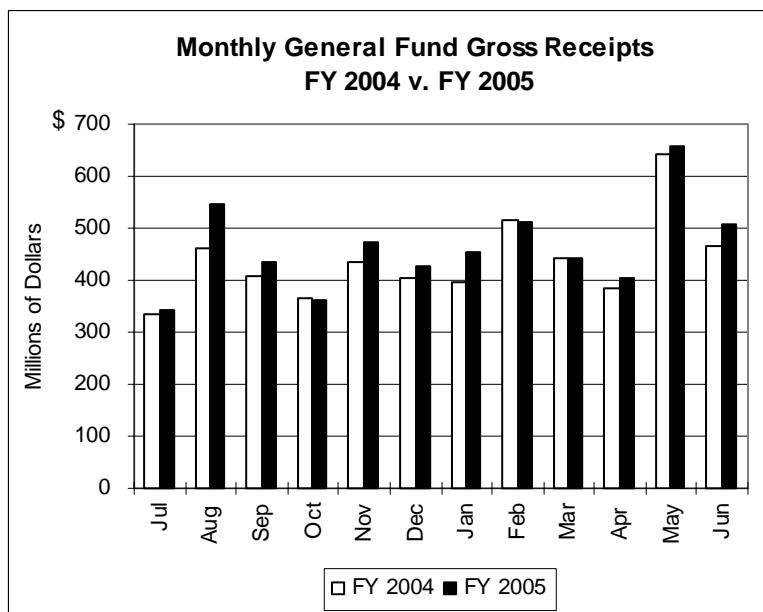
ADMINISTRATIVE SERVICES  
 TIMOTHY C. FALLER

## MEMORANDUM

TO: Members of the Iowa Senate and  
 Members of the Iowa House of Representatives  
 FROM: Dennis C. Prouty  
 DATE: July 1, 2005

### Monthly General Fund Receipts through June 30, 2005

The attached spreadsheet presents year-to-date FY 2005 General Fund receipts, with comparable figures for actual FY 2004. The figures can be compared to the FY 2005 estimate of \$5.473 billion set by the Revenue Estimating Conference (REC) on April 8, 2005. The FY 2005 estimate is an increase of \$214.6 million (4.1%) compared to actual FY 2004 gross cash receipts (excluding transfers and accrued revenue changes). The next Revenue Estimating Conference has not been scheduled.



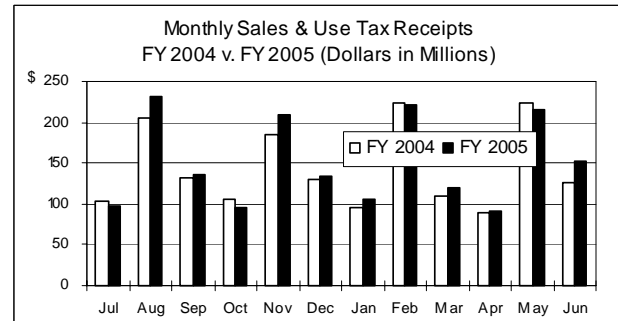
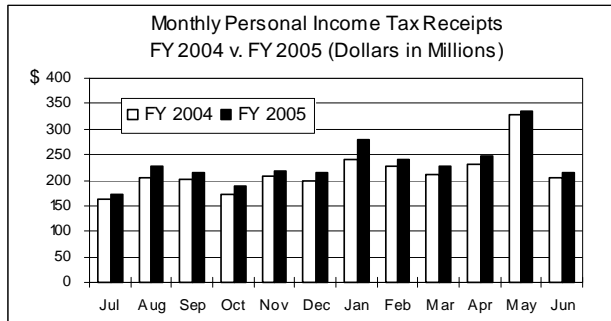
### FY 2005 Compared to FY 2004

Fiscal year 2005 total cash gross revenues (excluding transfers) increased \$311.0 million (5.9%) compared to FY 2004. Major revenue sources contributing to the change include:

- Personal income tax (positive \$190.0 million, 7.3%)
- Sales/use tax (positive \$80.0 million, 4.6%)
- Corporate tax payments (positive \$46.1 million, 19.6%)
- Other taxes (negative \$11.1 million, - 3.0%)
- Other receipts (positive \$6.0 million, 1.8%)

**Personal income tax** revenue received in June totaled \$216.0 million, an increase of \$12.4 million (6.1%) compared to June 2004. For the month, withholding tax payments decreased \$3.6 million, payments with returns increased \$8.2 million, and estimate payments increased \$7.8 million. The June withholding receipt drop is the second in as many months, and together, May and June withholding receipts decreased \$27.4 million (- 7.2%). While changes to tax withholding tables implemented in April are expected to reduce tax revenue going forward, the drop in withholding at the end of FY 2005 significantly exceeds the projected impact of the table changes.

The FY 2005 REC income tax estimate of \$2.750 billion represents a projected increase of 6.1% compared to actual FY 2004. For the entire fiscal year (cash basis), income tax receipts increased 7.3%. The following chart compares FY 2005 monthly personal income tax receipts from the three personal income tax sub-categories with FY 2004.



**Sales/use tax** receipts received in June totaled \$151.6 million, an increase of \$24.6 million (19.4%) compared to June 2004. The June increase compensates for a drop experienced in May, as a significant amount of sales/use taxes remitted in May were not deposited until June. Over the two months, sales/use tax receipts increased \$17.8 million (5.1%).

The REC estimate for FY 2005 sales/use tax receipts is \$1.798 billion, an increase of 3.8% compared to actual FY 2004. For the full fiscal year (cash basis), sales/use tax receipts increased 4.6%. The preceding chart compares FY 2005 monthly sales/use tax receipts with FY 2004.

**Corporate tax** receipts received in June totaled \$44.0 million, a \$4.7 million (12.0%) increase compared to June 2004.

The REC estimate for FY 2005 corporate tax receipts is \$254.0 million, which represents an increase of 8.2% compared to actual FY 2004. For the full fiscal year (cash basis), corporate tax receipts increased 19.6%.

**Other tax** receipts received in June were \$63.4 million, a \$9.4 million (- 12.9%) decrease compared to June 2004. Franchise (bank), inheritance, insurance and miscellaneous tax receipts all decreased in June.

The REC estimate for FY 2005 receipts from other taxes is \$352.9 million, which represents a decrease of 3.7% compared to actual FY 2004. For the full fiscal year (cash basis), other tax receipts decreased 3.0%.

**Other receipts** (non-tax receipts) received in June totaled \$33.5 million, an increase of \$11.3 million (50.9%) compared to June 2004. The large June increase was due to a \$10.0 million transfer from the Unclaimed Property Fund. The transfer took place in July last year.

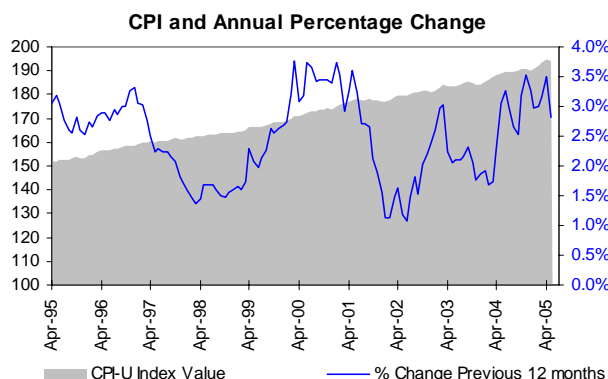
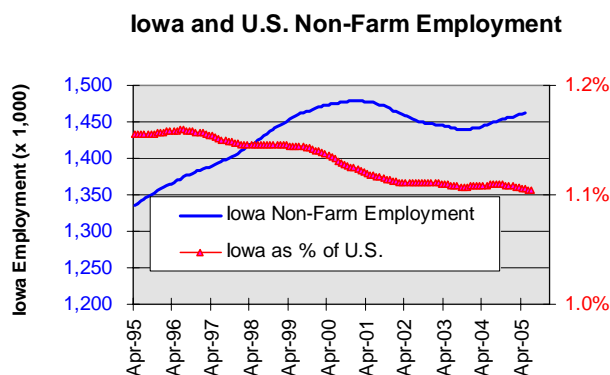
The REC estimate for FY 2005 other receipt revenue is \$317.5 million, which represents a decrease of 4.4% compared to actual FY 2004. For the full fiscal year (cash basis), other receipts increased 1.8%.

**Tax refunds** paid from July 1, 2004 through June 30, 2005 totaled \$702.9 million, a decrease of \$0.6 million (- 0.1%) compared to the previous year. Refunds issued during the cash year were approximately \$18.0 million higher than projected by the REC.

**Overall net cash receipts** for FY 2005 increased \$311.7 million (6.8%) compared to FY 2004. This amount is \$78.2 million more than projected by the REC in April. The final figures for FY 2005 still need to be adjusted for transfers, and accrued revenue/refund changes. Those figures will not be available until September.

### Status of the Economy

Iowa non-farm employment was reported at 1,484,100 in May (not seasonally adjusted), 14,800 higher than May 2004. The non-farm employment number includes only employees covered by the Unemployment Insurance system. Therefore, self-employed and other non-covered employment situations are not part of the non-farm count. The 12-month Iowa moving average employment is presented in a graph below. Iowa non-farm employment (12-month average) peaked at an all time high in the fall of 2000 (1,497,300), and the recent low was February 2003 (1,411,400). The current 12-month average reading is 1,462,000. The chart below also presents Iowa non-farm employment as a percent of U.S. non-farm employment. The current 1.10% rating is the lowest since 1989.



Consumer prices decreased 0.1% during the month of May (not seasonally adjusted). The Consumer Price Index (CPI-U) through May 2005 was 194.4 (1983/84=100), 2.8% higher than one year ago. The annual rate of inflation jumped significantly during the seven months beginning April 2004, but has moderated somewhat since peaking in November 2004.

Information related to State General Fund receipts is available on the Fiscal Services Division's web site at: <http://staffweb.legis.state.ia.us/lfb/revdebt.htm>.

GENERAL FUND RECEIPTS - FY 2004 vs. FY 2005 July 1 through June 30 (in millions of dollars) Dollars may not add due to rounding. Percentages Calculated on Rounded Numbers					ESTIMATED GENERAL FUND RECEIPTS (in millions of dollars) FY 04 Actual Compared to FY 05 REC Estimate		
	FY 2004	FY 2005	Year to Date % CHANGE	June % CHANGE	Actual FY 2004	Estimate FY 2005	Projected % CHANGE
Personal Income Tax	\$ 2,592.3	\$ 2,782.3	7.3%	6.1%	\$ 2,592.3	\$ 2,750.3	6.1%
Sales/Use Tax	1,732.3	1,812.3	4.6%	19.4%	1,732.4	1,797.9	3.8%
Corporate Income Tax	234.8	280.9	19.6%	12.0%	234.8	254.0	8.2%
Inheritance Tax	80.1	78.4	-2.1%	-27.6%	80.1	76.1	-5.0%
Insurance Premium Tax	138.2	130.9	-5.3%	-10.3%	138.2	131.5	-4.8%
Cigarette Tax	87.1	87.4	0.3%	1.1%	87.1	87.1	0.0%
Tobacco Tax	8.0	8.7	8.7%	57.1%	8.0	8.1	1.3%
Beer Tax	14.0	14.0	0.0%	0.0%	14.0	14.1	0.7%
Franchise Tax	38.0	35.4	-6.8%	-19.7%	38.0	35.0	-7.9%
Miscellaneous Tax	1.1	0.6	-45.5%	-250.0%	1.1	1.0	-9.1%
Total Special Taxes	\$ 4,926.0	\$ 5,231.0	6.2%	7.3%	\$ 4,926.0	\$ 5,155.1	4.7%
Institutional Payments	13.7	12.7	-7.3%	-27.8%	13.7	12.8	-6.6%
Liquor Profits	58.0	59.0	1.7%	-6.9%	58.0	59.0	1.7%
Interest	7.6	9.7	27.6%	12.5%	7.6	7.0	-7.9%
Fees	79.9	72.3	-9.5%	37.2%	79.8	67.6	-15.3%
Judicial Revenue	57.5	59.2	3.0%	6.9%	57.6	57.3	-0.5%
Miscellaneous Receipts	55.3	65.1	17.7%	443.5%	55.3	53.8	-2.7%
Racing and Gaming Receipts	60.0	60.0	0.0%	0.0%	60.0	60.0	0.0%
TOTAL GROSS RECEIPTS	\$ 5,257.9	\$ 5,568.9	5.9%	9.4%	\$ 5,258.0	\$ 5,472.6	4.1%